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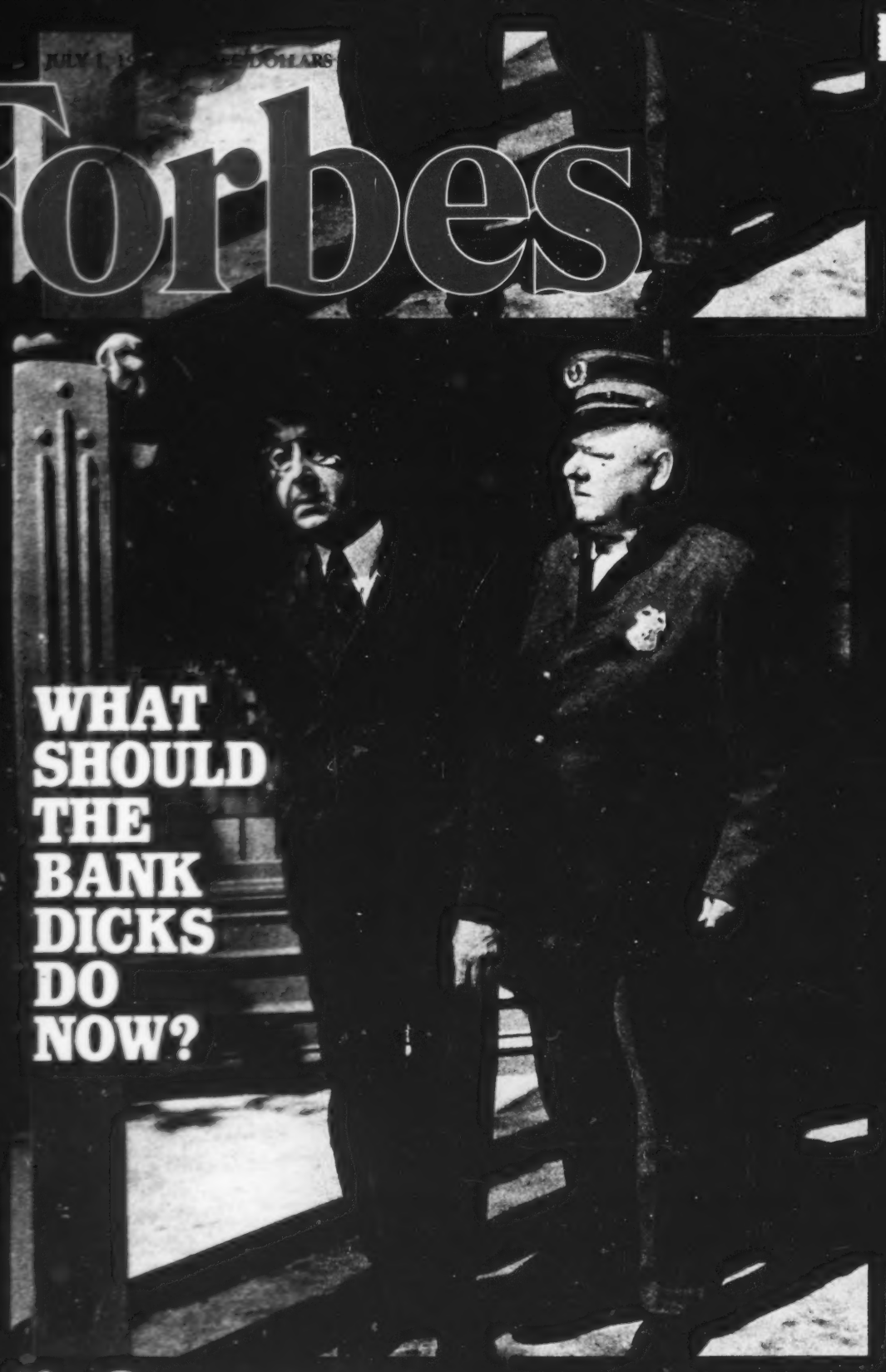
JULY 1, 19 ... DOLLARS

Forbes



WHAT SHOULD THE BANK DICKS DO NOW?

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Forbes

July 1, 1985
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Number 1

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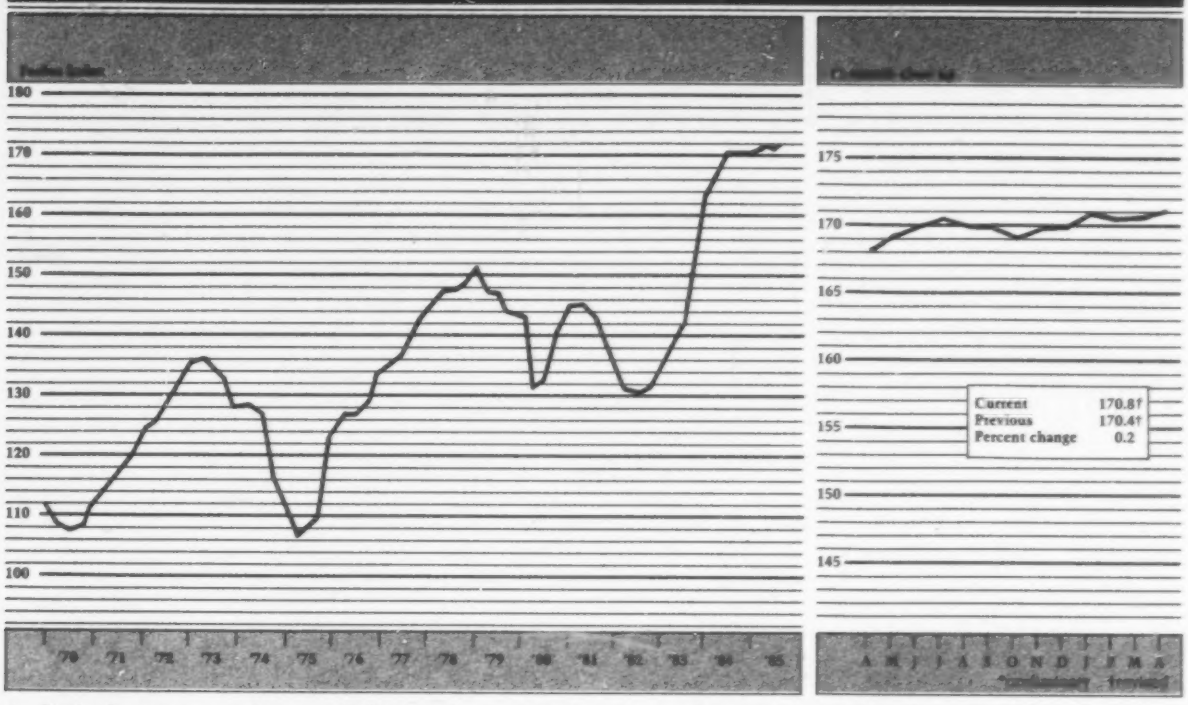
The Forbes Index

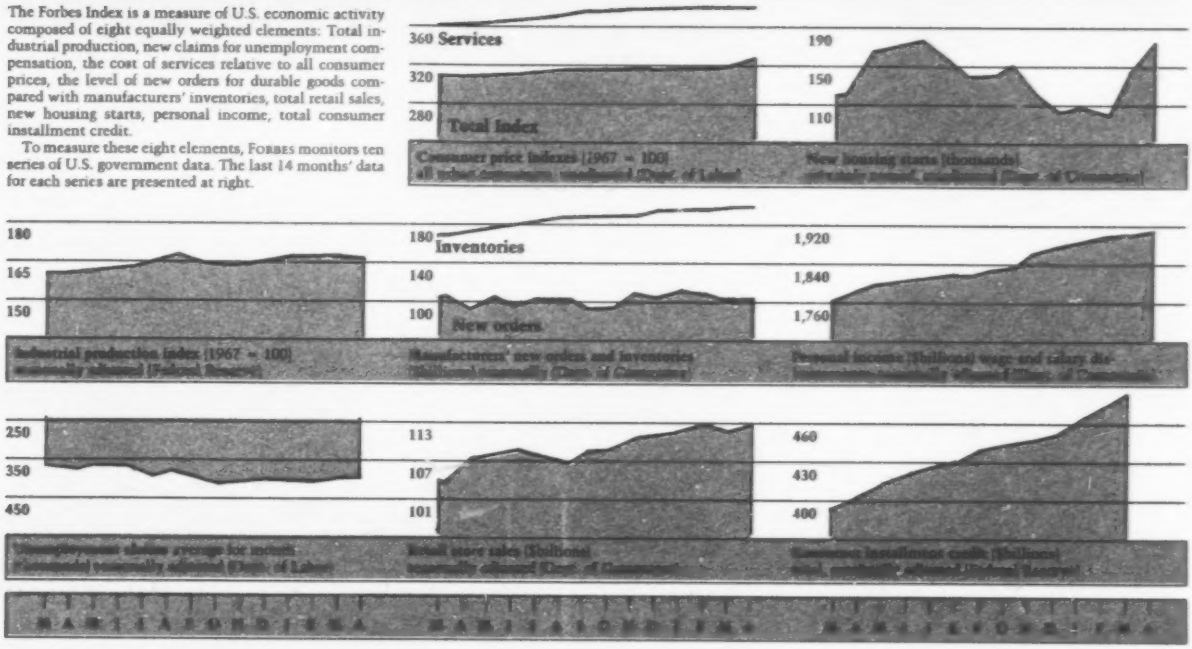


A climb that may not last much longer. In the latest reporting period the Forbes Index rose 0.2%, to a record level. But this stems from an update of only one component and a revision in one other item. Manufacturers' inventories show a 0.1% month-to-month rise, suggesting that stockpiles of goods are not becoming excessive. But the latest inventory figure stands 8.1% higher than it did 12 months ago. Meanwhile, the revised figure for manufacturers' new orders is 0.2% lower than a month earlier and only 1.2% higher than 12 months ago. On balance, it seems that the Forbes Index will pursue at best a sawtooth course for the months ahead. Meanwhile, the exuberant stock market—some indexes reached record highs in early June—anticipates even lower interest rates.

The Forbes Index Components

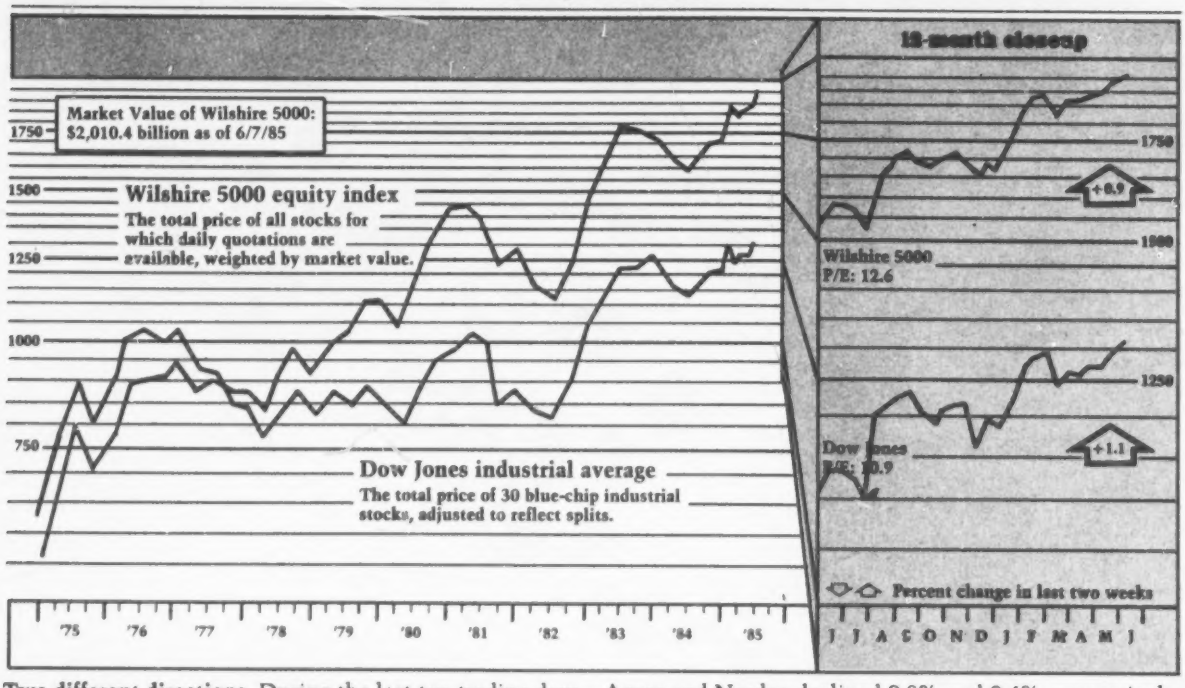
The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, total consumer installment credit.

To measure these eight elements, FORBES monitors ten series of U.S. government data. The last 14 months' data for each series are presented at right.



The Forbes/Wilshire 5000 Review

Edited by Steve Kichen



Two different directions. During the last ten trading days there were three sessions when the Dow industrials closed at new highs. The NYSE index, S&P's 500 and the Wilshire 5000 also hit peak levels during this period. Despite an 11-point decline in the final trading session, the Dow finished the stretch with a 1.1% gain, and the NYSE was up 1%. But secondary shares fell behind the pace set by Big Board issues. The Wilshire index, pulled down by Amex and Nasdaq stocks, rose only 0.9%. The Amex and Nasdaq declined 0.8% and 0.4%, respectively.

The Wilshire index has appreciated 23.1% during the last 52 weeks, Nasdaq-listed shares are up 21.1%, and Amex, the laggard of the lot, is up just 12%. But it's worth noting that Nasdaq shares are also some 11.5% below their alltime high. Until now investors have been emphasizing safety and quality. If there is to be another strong upward leg in this rally, however, the best opportunities may lie with secondary shares.

Close-up On The Equity Markets

Performance of six leading indexes

Percent change	Wilshire 5000	Forbes 500[1]	Dow Jones industrials	NYSE Composite	Amex Market Value Index	NASDAQ Composite
in last 4 weeks	2.9	3.1	3.3	3.1	0.0	1.2
in last 52 weeks	23.1	24.0	16.4	23.1	12.0	21.1

Stock performance based on six key investor yardsticks

Percent change	Company size		Volatility[2]		P/E multiple		Dividend yield		Growth profile[3]		Share price	
	large	small	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
in last 4 weeks	3.3	1.5	0.0	3.9	0.9	3.9	2.2	0.1	–0.5	2.5	3.8	–0.8
in last 52 weeks	27.8	15.5	17.0	35.4	18.1	34.7	32.3	19.7	11.8	34.5	34.3	2.4

[1]Based on sales.
[2]A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations, low-volatility issues are more stable.
[3]A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

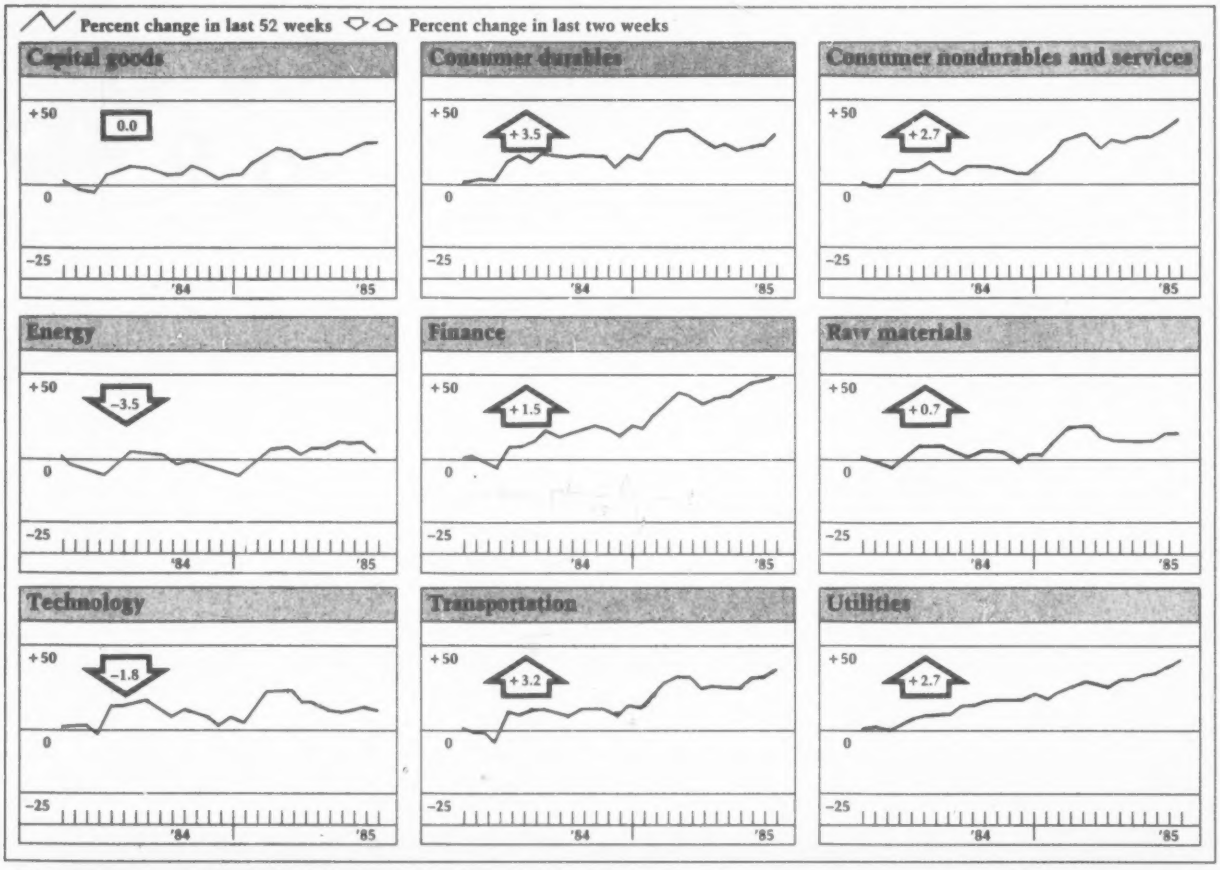
Note: All data for periods ending 6/7/85. Prepared by Wilshire Associates, Santa Monica, Calif.

Kenneth Alcorn

Where The Action Is

Utilities rise on cheaper money. In many a rally utilities take a backseat to their more glamorous counterparts. But falling interest rates have made utility shares quite resilient. Only consumer durables and transportation bettered the 2.7% rise of utilities. On a 52-week basis, the 35.8% gain of utility stocks is second only to the 46.2% rise for finance stocks.

Gulfstream Aerospace, buoyed by Chrysler's option to buy up to 20%, registered the best 2-week gain among stocks with market capitalizations over $500 million. Other aerospace issues—Boeing, Northrop and Lear Siegler—also made respectable advances. But weakness in computer and telecommunications shares brought the technology sector as a whole to a 1.8% loss.



What The Analysts Think

Don't overestimate the good news. Analysts made slight upward revisions in their 1985 earnings estimates for three Wilshire sectors—consumer durables and nondurables and finance—even though many economic indicators point to a weakening economy. The experts lowered their projections for six other groups.

Forecasting the Forbes 500

Performance period	Average earnings per share	P/E
latest 12 months	$3.57	11.5
1985 estimates	4.19	9.8
1986 estimates	4.75	8.7

Rank based on change in estimate	Sector	Estimated 1985 EPS	Estimated 1985 P/E	% change in 1985 estimate in 2 weeks	% change in 1985 estimate in 4 weeks
1	Consumer nondurables	$2.56	12.7	0.65%	0.14%
2	Finance	3.27	10.1	0.29	0.80
3	Consumer durables	4.67	8.1	0.02	-1.31
4	Energy	3.76	8.3	-0.25	-0.63
5	Utilities	3.42	8.3	-0.34	-0.68
6	Capital goods	2.90	11.3	-0.38	-1.91
7	Transportation	2.94	9.8	-0.56	-1.76
8	Technology	2.80	11.8	-0.91	-2.39
9	Raw materials	2.23	11.3	-1.23	-4.37

Earnings projections are capitalization-weighted consensus estimates from over 2,000 security analysts. Data are compiled and updated continously by the Institutional Brokers Estimate System (IBES), a service of Lynch, Jones & Ryan, a New York-based brokerage firm.

Note: All data for periods ending 6/7/85. Prepared by Wilshire Associates, Santa Monica, Calif.; IBES, a service of Lynch, Jones & Ryan, New York.